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## **Insurance Committee Public Hearing**

**March 17, 2015**

### **Connecticut Association of Health Plans**

#### **Testimony in Opposition to**

#### **SB 1052 AAC Maximum Allowable Cost Lists and Disclosures by Pharmacy Benefit Managers**

The Connecticut Association of Health Plans respectfully urges your opposition to SB 1052 AAC Maximum Allowable Cost (MAC) Lists and Disclosures by Pharmacy Benefit Managers (PBM). Simply put, MAC is a way to reimburse pharmacies for the dispensing of generic drugs. It is separate and aside from the process used in reimbursing for brand names. By definition, MAC is the maximum allowable reimbursement by a PBM for a particular generic drug that is available from multiple manufacturers. Each manufacturer has its own price for the same drug and these prices can differ extensively. For the benefit of consumers, MAC pricing standardizes the reimbursement amount for identical products offered by various sources and as a result provides an incentive for pharmacies to negotiate more competitively around generic rates. To do so, pharmacies often join buying groups and/or Pharmacy Services Administration Organizations (PSAOs) as a way to earn discounts and rebates from preferred suppliers. A typical PSAO may represent thousands of pharmacies, giving these groups access to pooled purchasing power, negotiating advantages, and contracting strategies.

Passage of SB 1052 would allow pharmacies to purchase generic drugs at a discounted rate, but force employers to reimburse them at brand name prices. By restricting a PBM's ability to place lower cost, multiple source prescription drugs on a MAC list unless there are 3 or more therapeutic equivalents in the marketplace, carriers would be inhibited from passing on the savings associated with such generic competition onto consumers when the brands come off patent.

SB 1052 also seeks to limit the types of generic drugs that can be included on a MAC list to only "A" and "AB" rated medications. By excluding "B," "NA," and "NR" rated generic drugs, the bill significantly decreases the number of drugs that can be dispensed at discounted generic drug rates again to the detriment of Connecticut's consumers.

Furthermore, the mandated retroactive billing requirement proposed by the bill would further negatively impact consumers, if as expected, consumers would be required to return to a pharmacy to pay additional money out of pocket for drugs that were dispensed to them previously.

As you know from our previous testimony, the cost of pharmaceuticals remains a major cost driver in the escalation of premiums. Passage of SB 1052 would remove yet another tool from the tool box that assists health plans in keeping the underlying costs in check. Some estimates put the price tag of this bill at \$95 million in the first year alone if it were to be enacted. We strongly urge your rejection.

Thank you for your consideration.